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TAGS: [AORC](#) [PREL](#) [KNNP](#) [IAEA](#) [EAID](#) [UN](#)
SUBJECT: GUIDANCE REQUEST: SEEKING PRINCIPLED SUPPORT FOR
THE IAEA BUDGET

REF: A. UNVIE 52
[B](#). UNVIE 65

[1](#)1. (SBU) Summary: (This is a guidance request. Please see paras 12-13.) Director General ElBaradei stepped forward last month with a proposal to increase the IAEA's regular budget by 23 percent. Member States are generally unhappy with the proposal, but are waiting on tenterhooks for the U.S. position. Mission recommends general support for ElBaradei's proposed budget, noting that the proposal is conservative but compatible with the Obama Administration's statements and Mission's proposals to realize them (ref a). A supportive U.S. stance will not commit us to the full, 23 percent increase, but will prevent other donors from immediately locking in a zero growth position and removing all flexibility from budget negotiations. U.S. support also leaves room to pursue long-standing U.S. policy goals, such as bringing nuclear security and safety under the umbrella of the IAEA regular budget. A growth budget would increase the long-term institutional health that allows the IAEA to fulfill its role as "nuclear watchdog." Finally, U.S. support for the draft budget sheds a positive light on U.S. leadership and promotes global support for the IAEA and its non-proliferation mandate. While extrabudgetary funding presents a convenient alternative to increasing the regular budget, such funds are not well suited to addressing these broader institutional issues and would increase the IAEA's reliance on the U.S. taxpayer rather than spreading responsibilities across all Member States. Instead, the U.S. should take advantage of the current DG's global stature to encourage a flexible and substantive debate on the regular budget. Mission also recommends using the upcoming G8 Non-Proliferation Directors meeting on March 24 in Rome to encourage budgetary flexibility. Finally, Mission requests guidance in advance of Ambassador's March 20 meeting with the Board Vice Chair in charge of budget negotiations to communicate a U.S. position in support of the draft budget. End Summary.

Budget Season Begins

[1](#)2. (SBU) Following the February 15 release of DG ElBaradei's draft 2010-2011 budget, IAEA Member States have focused their attention on budget negotiations in the lead-up to the April 27 meeting of the Program and Budget Committee (PBC). Romanian Ambassador Feruta (Board Vice Chair) has begun consultations with the IAEA Secretariat and will begin the "first round" of budget negotiations with Member States starting March 20. Feruta has made it a priority to speak

with the U.S. first and has scheduled a March 20 meeting with Ambassador Schulte to elicit the U.S. position.

13. (SBU) A cluster of EU Members (including the UK, Germany and France) is already preparing for budget negotiations by attempting to build momentum against Director General ElBaradei's proposed 23 percent increase in the regular budget from the current year to CY2010. An EU meeting March 13 revealed that some Members are pushing for a rapid and categorical EU common position in favor of zero real growth (ZRG). Romania has pleaded for flexibility, but this cooperative approach has not been adopted by other EU diplomats, one of whom remarked to Ambassador Schulte that "multilateralism doesn't mean that you decide and the rest of us agree." The UK has also warned us that a break with "long standing Geneva Group policy on zero growth" would not be well received.

ElBaradei Stands Fast -----

14. (SBU) DG ElBaradei has continued campaigning for a large increase in the budget. In a March 10 speech before the United Nations Association in Vienna (attended by many ambassadors), ElBaradei raised a friendly hand to Ambassador Schulte before repeating comments made during the U.S. presidential campaign supporting a "doubling" of the IAEA budget. Behind the scenes, ElBaradei is doing more than paying lip service to U.S. campaign promises. His draft budget unerringly caters to U.S. priorities in the areas of nuclear security and safety (such as an effort to incorporate nuclear security into the regular budget - ref b). Even

moderate increases for nuclear techniques for development (an area some of the more cynical representatives view largely as a PR exercise), are channeled to the one program - the Program of Action for Cancer Therapy - lauded by the U.S. for its partnerships model.

15. (SBU) Comment: DG ElBaradei has every reason to pursue the large budget increases he has long coveted. A Nobel-Prize winner with less than a year left in office, ElBaradei enjoys maximum international exposure while feeling minimal obligation to Member States. As one staff member put it, the DG is "halfway up the mountain." This has helped prompt ElBaradei to propose the stunning increases, but it also means he is prepared to engage energetically in negotiations should the U.S. support him. His global renown and stature with the G-77 is a definite asset. His successor, whoever that may be, is unlikely to match ElBaradei's ability to champion the kinds of structural changes envisioned in the current draft budget. End Comment.

Options -----

16. (SBU) Our meeting with the Romanian Vice Chair on March 20 presents the first time the U.S. will be expected to indicate a formal - if general - position on the regular budget. One option for that meeting is to announce the U.S. intention to maintain the traditional ZRG policy (implying a marginal increase of approximately 3 percent to maintain purchasing power parity). This position would quickly cement the ZRG positions of the other major donors and leave only minimal room for negotiating minor adjustments in the budget. The result would be unremarkable negotiations during the April PBC followed by handy passage of a draft budget during the June Board that would look much like previous budgets and leave the IAEA's pressing structural needs unaddressed.

17. (SBU) Such a position would create relief among other donor states but intense disappointment at the Secretariat and among those statesmen such as the members of ElBaradei's Commission of Eminent Persons who believe the IAEA is seriously underfunded. It would also appear to contradict President Obama's commitments, compelling us to detail the fiscal realities requiring us to retreat from the public pronouncements of January and earlier. The high hopes that

led IAEA staff to trace a gigantic "Yes, We Can" in the snow this winter would quickly ebb. The U.S. could help assuage the confusion by committing to significantly increase extrabudgetary funding, but this voluntary gesture would not appear to address adequately U.S. public statements that the IAEA is "understaffed and underresourced." However much IAEA managers welcome and appreciate extrabudgetary resources, such funds do not wield the symbolic and institutional support that comes from a concerted diplomatic effort to increase the regular budget.

18. (SBU) The second option for the March 20 meeting is to indicate general U.S. support for Director General ElBaradei's proposed budget, along with a good faith promise to negotiate the details with the other Member States. U.S. support for the draft budget will not automatically lead to a 23 percent increase (just the opposite - it would be hard-won progress to convince other Members to agree to a 5 - 10 percent increase), but supporting the draft budget does leave the door open for a more nuanced discussion of programs and priorities. Supporting the budget also reflects U.S. endorsement of a harsh reality - detailed in last year's "2020 Report" - that the IAEA does not have the resources to do its job properly.

19. (SBU) The likely result of this position would be budget negotiations that extend through the April 27 PBC and into the June Board of Governors meeting (and possibly beyond). None of the Member States are looking forward to this situation (and the U.S. will not be popular for sparking it), but it is the only one that allows the U.S. to pursue the structural changes that will sustain the IAEA's core mandate on safeguards through broad financial support for the institution.

Deeper in the Weeds

110. (SBU) Looking forward to the April PBC, Member States will look for ways to cut down on the across-the-board increases envisioned by the DG. One likely target for decapitation is the "capital investment fund," a proposal that accounts for nearly half of the overall budget increase. This fund drew immediate fire from major donors, who questioned the need to develop the fund so quickly and with such an extraordinary influx of cash (i.e., by 27 million euros in the first year alone). G-77 nations have already begun asking why Major Program 3 (Nuclear Security and Safety) should benefit from a 47 percent increase while Major Programs 2 and 6 (which develop and manage nuclear techniques for development) are granted only 15 percent.

111. (SBU) Mission looks forward to discussing these more detailed issues with Washington interagency counterparts. In addition to the overarching issue of the U.S. position on the regular budget, we see several other topics that will require further discussion, including: 1) U.S. preparedness to support the anchoring of the Nuclear Security Division in the regular budget, 2) the launching and up-front infusion of cash into the capital investment fund, 3) increased funding for safeguards, to keep pace with a growing international reactor fleet and increasing number of "sensitive cases" to include Iran, DPRK and now Syria, and 4) the U.S. posture toward likely G-77 demands for moving the Technical Cooperation Department further into the regular budget.

Comment and Request for Guidance

112. (SBU) While the G-77 position remains undefined, most major contributors would prefer to quickly squelch ElBaradei's budget proposal and embrace a no-fuss retrenchment to ZRG. The one way the U.S. can buck this trend and keep the door open to substantive negotiations is by indicating general support for ElBaradei's draft budget. This support does not have to include specifics for the

moment, but it will position the U.S. to make good on calls for increased resources (should they come available), support the long term institutional health of the organization, take advantage of the current DG's strengths, and position the IAEA to meet its safeguards responsibilities of the future. These higher goals are not accomplished by year-to-year extrabudgetary contributions, but only through the predictability and assurances provided by the regular budget. ElBaradei and the Secretariat understand that negotiations will not end with a 23 percent increase, but by the same token, they should not start at zero.

¶13. (SBU) One opportunity to argue for "flexibility" in budget positions is presented by the upcoming G8 Non-Proliferation Directors Group meeting in Rome March 24. Mission encourages instructions for our delegation to that meeting that reaffirm the U.S. commitment to find the resources that the IAEA will need to meet its expanded safeguards responsibilities in the years ahead. More immediately, Mission requests guidance in advance of Ambassador's March 20th meeting with the Romanian Vice Chair in charge of budget negotiations to communicate a U.S. position in support of DG ElBaradei's proposal to increase the IAEA regular budget and build in long-term capital funding.

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